

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No.
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TITLE OF REPORT: ORGANISATIONAL RESTRUCTURING

REPORT OF THE CHIEF EXECUTIVE AND HEAD OF THE PAID SERVICE

1. PURPOSE OF REPORT

- 1.1 This report sets out the rationale for changes to the organisational arrangements of the Council in response to changing financial circumstances.
- 1.2 The report details the proposals from the Head of the Paid Service in relation to the overall shape of the management structure, with emphasis on the arrangements for senior staff, and refers to other required changes which are carried out under the usual delegated responsibilities.

2. FORWARD PLAN

This report contains a recommendation on part of a key decision that will have been considered by Council on 10th February 2011 that was first notified to the public in the Forward Plan on 1st November 2010. The Budget Setting Report 2011/12 which was considered by Cabinet on 25th January 2011 and by Council on 10th February 2011 contained as an Efficiency Proposal, reference to savings to be derived from a Senior Management Restructure & Terms & Conditions. This report contains the detail relating to that Efficiency Proposal.

3. BACKGROUND

- 3.1 The current structural arrangements were put in place following reports to Cabinet and Council in May and June 2009. These arrangements have worked well and the Council has continued to deliver its services to a high standard and seen improvements in performance.
- 3.2 If it were not for the extremely challenging financial climate it would not be necessary to make further structural changes at this time. As far as possible the key elements of the changes introduced since 2009 are being preserved although some significant adjustments are inevitable.

4. THE FINANCIAL CONTEXT

- 4.1 As members are aware from recent budget reports the level of Revenue Support Grant (RSG) has reduced considerably for financial years 2011/12 and 2012/13. After stripping out the effects of changes to responsibilities for concessionary fares the final figure for RSG has fallen from around £7.1 million to £5.9 million, a reduction of some £1.2 million or 16.2% in cash terms.
- 4.2 Taken together with other annual budget pressures such as inflation and some reductions in income from fees and charges the “budget gap” was the sum of £1.957 million. On 25th January Cabinet considered how to bridge that gap and recommended a package of measures to Council on 10th February 2011 which include savings from staffing budgets of some £823,000. This report is concerned

with that figure and in particular the £260,000 portion of it that relates to senior staffing arrangements.

- 4.3 It is clear that the challenging financial position will remain for some years. It is already known that RSG will fall further to around £5.1 million in 2012/13. The position in years beyond that is not yet known but a major review of Local Authority financing arrangements is expected.
- 4.4 The Council must move to a position where it is living more within its own means, i.e. net expenditure must come closer to our controllable income – Council Tax and other fees and charges. We have already learned to live with a massively reduced investment interest income which was always vulnerable to the vagaries of interest rate fluctuations, and we must similarly reduce our reliance on centrally provided revenue support grant.
- 4.5 Whilst it can only be a prediction at this stage the best estimate that can be made for what “living within our means” actually means in relation to a number is a net expenditure of between fourteen and fifteen million by 2015/16. The draft budget puts estimated total net expenditure at £14.834 million at that time. Even this still relies on an estimated £4.668 million of RSG support but that is a 35% reduction on the level for 2010/11. Further changes to how we are organised and how we deliver services in the future will be required to further reduce our reliance on external support.

5. GENERAL PRINCIPLES AND MAJOR CONSTRAINTS

- 5.1 In proposing further changes to the organisational structure or how we do our business there are a number of important general principles to take into account.
- 5.2 The eight general principles that have been considered are listed below:
 - a) Protecting front line services, where it is possible to do that. This principle sits far out in front of any of the others and has been emphasised and reaffirmed by members of the Council on many occasions. Naturally this means that the prime areas of search for reduction in expenditure are in our back office and managerial arrangements.
 - b) Reducing resources in areas where the requirements on the Council have changed due to a change in focus and the requirements of national policy, e.g. policy/inspection/strategy/planning, etc. The new government is committed to reducing the burden on local authorities in relation to all manner of central requirements and this means the Council can reduce its level of resources in some areas.
 - c) Whilst services must be effective and fit for purpose we must ensure we are not attempting to provide more than we are required to. We must become even more efficient and avoid any lavish provision of what could be seen as a “Rolls Royce” level of service. That is not our business.
 - d) As far as possible the impact of changes should be spread evenly across the workforce.
 - e) The financial and human costs of redundancy should, wherever possible, be kept to a minimum.
 - f) Retaining enough capacity to do the things the Council wants to and needs to continue doing within the current financial constraints.

- g) The Council has successfully brought together groups of services over a number of years – a sort of internal sharing of services to reduce costs and increase efficiency. More of that will need to be done.
- h) Recognising that further change is inevitable e.g. partnering, sharing service arrangements with other Councils and organisations, etc. There is a further report on the agenda for this meeting which describes some current work on these issues.

5.3 Particularly in relation to senior management these are two key constraints to bear in mind. These are:

- There are only 15 posts at third tier level (Chief Executive, Directors, Heads of Service and Corporate Managers) and above.
- In the past there have been some senior vacancies which have provided some flexibility. There is no such flexibility at this time.

6. THE PROPOSALS

6.1 The required saving of £823,000 splits into two parts as follows:

- £563,000 relates to general staffing and lower level structural changes.
- £260,000 relates to senior staffing and high level structural changes.

6.2 In relation to general, and usually, minor changes to the structure these are carried out throughout the year and at the time of the budget via the general delegations and managerial responsibilities of the Head of the Paid Service and other senior officers so this report will not go into detail on this aspect. However, in summary, the figure of £563,000 is made up of three distinct parts as follows:

- £208,000 relates to vacant posts.
- £182,000 comes from changes that do not require any individuals to be subject to the Council's reorganisation policy i.e. there is no potential for redundancy.
- The remaining £172,000 involves changes that will impact on individuals and those individuals will be subject to the Council's reorganisation policy, i.e. there is potential for redundancy. This could affect approximately seven members of staff.

6.3 With regard to the £260,000 saving required from more senior restructuring a revised Senior Management Arrangements and Functions diagram is attached at Appendix A. The existing arrangements are shown for comparison in Appendix B. The basic shape of the Directorates remains the same although there are a number of changes to the service responsibilities which are explained below.

6.4 In relation to Heads of Service (HofS) there is very limited flexibility to make changes. There are eight HofS posts and four provide vital front line services and must be retained. These posts have all been brought together in "internal shared services" arrangements in the past. These posts are:

- Head of Leisure and Environmental Services,
- Head of Revenues and Benefits,
- Head of Development and Building Control,
- Head of Housing and Public Protection.

The post of Head of Finance, Performance and Asset Management is also a post where several services have already been combined and it is a vital post for the authority so no change is proposed there.

6.5 The logic set out in 6.4 leaves only three HofS posts which can realistically be amended. These are:

- Head of Policy, Partnerships and Community Development,
- Head of IT and Customer Services,
- Head of Community and Cultural Services.

The proposals delete all three of these posts. However, in order to preserve some capacity for dealing with matters of Policy and Community related issues a new post bringing together elements of the current roles of the Head of Policy, Partnerships and Community Development and the Head of Community and Cultural Services is proposed. This post is titled Head of Policy and Community Services.

6.6 The changes to HofS posts require a number of services to be realigned as follows:

- IT will move to the Head of Revenues and Benefits. This arrangement has been tested before and worked successfully.
- Customer Services, Cultural Services and Communications will report directly to the Director of Customer Services with no HofS resource.
- Careline will be moved into the Housing and Public Protection Service area. In many authorities community alarm services such as Careline have a close connection to the Housing Service.

6.7 There are obvious synergies between Community and Cultural Services and Policy, Partnerships and Community Development and that is why these areas are again being drawn together in an internal shared service arrangement.

6.8 The changes to Head of Service arrangements produce a net saving of two posts or approximately £150,000. A further £110,000 saving is required to reach the target figure of £260,000. Whilst a small amount can be found from changes to terms and conditions in relation to the car leasing scheme for senior officers, in order to fully close the gap it is proposed to delete a further two posts. These are:

- The Policy and Scrutiny Manager,
- The Business Process Improvement Manager.

6.9 The rationale for deleting the Policy and Scrutiny Manager relates to the changing nature of the policy work we will need to do in the future. As mentioned elsewhere in this report the requirements of Central Government are changing so we can reduce our input to policy and strategic areas. There are of course new requirements coming through particularly via the many proposals in the Localism Bill but these will need to be dealt with within the relevant service areas within the Council.

6.10 The rationale for deleting the BPI Manager post is that whilst this work has been useful in the past couple of years the Council can no longer afford to have a dedicated officer resource. The concepts of review and making efficiencies through changing processes and procedures is now better embedded across teams and individuals in the organisation. There are also now companies that provide a “no

win/no fee” type service where they only charge if savings are actually realised following their review of a part of the business. This may offer a better value for money route to obtaining BPI type improvements in the future.

7. TIMETABLE

- 7.1 Amendments to the structure need to be put in place quickly to ensure the maximum contribution to the required savings to bridge the budget gap.
- 7.2 Following Cabinet’s consideration of the draft budget on 25th January 2011 informal discussions have been held with the individuals and teams affected by these proposals. It is intended that a formal 30 day consultation period will commence on 16th February and this will run until 17th March.
- 7.3 Subject to the inclusion of any comments from Cabinet and any adjustments which may flow from the consultation period, the report will be presented to Council on 8th April 2011. Then, subject to the requirements of the reorganisation policy implementation will commence following that Council meeting.

8. LEGAL IMPLICATIONS

- 8.1 The Chief Executive fulfils the statutory role of the Head of Paid Service (section 4 Local Government and Housing Act 1989 “the Act”). The powers given to the Head of Paid Service under the Act are to prepare a report, when appropriate, on any or all of the following:
 - The co-ordination of functions.
 - The number and grades of staff required to carry out those functions.
 - The organisation of staff.
 - The appointment and management of staff.
- 8.2 In addition the Council’s Constitution contains provision that the Chief Executive has all necessary powers for co-ordinating the discharge of all functions and exercising overall managerial responsibility for staff, (Constitution, Scheme of Delegation/paragraph 3.1).

It can therefore be concluded that

- The Chief Executive is intended to have the primary function of providing for the organisational staffing arrangements within the Council.
 - The powers of the Chief Executive are wide ranging.
- 8.3 Under the 1989 Act the Head of Paid Service, as soon as practicable after he has prepared his report, must send a copy of it to each member of the authority.
 - 8.4 It is a statutory requirement that the Council must meet within three months of the report to consider it, however this duty is overlaid by a requirement in the constitution for any alterations to the senior management structure to be considered first at Cabinet who should make any recommendations to Council (Constitution/Terms of Reference/ Cabinet/paragraph 33).

9. FINANCIAL AND RISK IMPLICATIONS

- 9.1 The detailed staffing proposals in this report produce full year savings of £254,012. Changes to the car leasing scheme produce a further £8,000 approximately.
- 9.2 As indicated in the body of the report a further £563,000 of staff related savings are also planned.
- 9.3 Taken together the target of £823,000 for staffing and structural savings will be achieved through implementation of these proposals.
- 9.4 There will be some redundancy costs and an allowance of £150,000 has been made in the budget to cover these and other costs associated with the restructure.
- 9.5 There are many risks related to these proposals mainly related to capacity and the ability to implement the proposals in a timely manner. Any minor slippage in the implementation timetable can be accommodated within the allowance above or draw on funds in the Special Reserve. The Council must ensure that its budget is balanced. These proposals ensure that.
- 9.6 In relation to wider capacity issues the organisation must adapt to new ways of working in the short term and in the longer term further significant change will be necessary. The large reduction in funding makes this further change inevitable.

10. HUMAN RESOURCES AND EQUALITIES IMPLICATIONS

- 10.1 This report clearly has significant implications for our human resources. As explained in the report, colleagues affected are already involved in informal discussions and the Council's formal reorganisation policy and procedures will be used to manage the changes.
- 10.2 All affected individuals, the Staff Consultation Forum and Trade Unions will be fully consulted on all proposals.
- 10.3 The Employment Committee is required to approve new appointments and any relevant redundancies relating to Chief Officer posts. A provisional meeting will be arranged for early April following Council's consideration of the proposals.
- 10.4 In relation to equalities appropriate impacts have been considered. The proposed changes do not disproportionately impact on any group of staff. Indeed one of the key principles has been to try to spread the effect of the changes evenly across the workforce.

11. CONSULTATION

These proposals have been discussed in detail by the Council's Corporate Management Team and the Leader and Deputy Leader of the Council have been kept informed at all stages of the development of the proposals.

12. RECOMMENDATION

It is recommended that the proposed revised senior management arrangements are supported in principle and that subject to the required staff consultation and any comments from Cabinet are recommended to Council at their 7th April meeting for approval.

13. REASONS FOR RECOMMENDATIONS

The proposals put in place a revised organisational structure to meet the requirements of balancing the Council's budget.

14. ALTERNATIVE OPTIONS CONSIDERED

As set out in the body of the report there are no reasonable alternatives to the proposals put forward in this paper.

15. APPENDICES

Appendix A: Proposed Senior Management Arrangements/Functions 2011.
Appendix B: Senior Management Arrangements/Functions from June 2009.

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17. BACKGROUND PAPERS

- a) Reports to Cabinet 19th May 2009 and Council 25th June 2009 regarding a revised senior management structure for North Herts District Council.
- b) All budget papers and reports regarding the 2011/12 budget setting process. These are held by the Strategic Director of Finance, Policy & Governance.